

Service Date: April 24, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Connection)	UTILITY DIVISION
of Customer Owned Coin Telephones)	DOCKET NO. 84.10.68
to the Local Exchange Network.)	ORDER NO. 5192

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PROPOSED ORDER

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APPEARANCES

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BEFORE:

CLYDE JARVIS, Chairman
JOHN B. DRISCOLL, Commissioner
HOWARD L. ELLIS, Commissioner
TOM MONAHAN, Commissioner
DANNY OBERG, Commissioner

PROCEDURAL HISTORY

1. In Order No. 5030 issued on November 21, 1983, the Montana Public Service Commission (MPSC) authorized reselling of intraexchange usage. On June 25, 1984 the Federal Commerce Commission (FCC) issued Registration of Coin Operated Telephones 49 Fed. Reg. 27763, allowing Part 68 registration of instrument implemented coin telephones -- coin telephones which contain all the circuitry needed to accept coins and to perform other coin related functions within the telephone instrument itself without central office involvement or operator intervention. In October, 1984 Mountain States Telephone and Telegraph (Mountain Bell) filed a public access line tariff to offer service to owners of coin telephones effective November 11, 1984.

2. The MPSC initiated this docket in November, 1984. The MPSC held a prehearing conference on August 22, 1985, issued a procedural order on September 24, 1985, and noticed an opportunity to propose issues on August 30. The following issues were noticed for hearing:

- 1) Should the regulated telephone companies in the state be required to allow connection of privately owned coin telephones to the telephone company network?

- 2) Should connection be allowed in all exchanges or only where a usage based rate is currently available?
- 3) What rates should be charges for the telephone company access line if connection is allowed?
- 4) Should telephone companies be allowed to charge for certain services now provided coin customers at no charge, such as directory assistance and 911 calls?
- 5) Should Mountain Bell's current Local Public Access Line rates be changed?
- 6) Should any conditions be placed on providing service to coin telephone owners, such as 911 compatibility and operator first service?
- 7) Does allowing customer owned coin telephones constitute competition adequate to justify eliminating some or all of the regulation of telephone company public and semipublic coin phones?

3. After proper notice, a hearing was held on January 28, 1986. The Yellowstone County Sheriff's office testified as a public witness. The Payphone Company, the Montana Telephone Association representing the Regulated Small Independents, (RSI), the Northwestern Telephone System, (NWTs) and Mountain Bell testified. Written comments were received from Capital Tel Systems and GTE Sprint.

BACKGROUND

4. Currently in Montana three types of coin operated telephones are available --

- 1) utility owned public coin operated telephones,
- 2) utility owned semipublic coin operated telephones, and
- 3) customer owned coin operated telephones (COCOTs), available in Mountain Bell service areas.

5. Utility owned public telephone service is offered at the utility's discretion on public or private property at no charge to the premise's owner. Utility owned semipublic telephone service is offered at the request of business customers, primarily for employee and customer use and sometimes as a substitute for ordinary business line service. The telephone company collects installation and monthly service charges from the business customer on whose premises semipublic service is provided. Public telephone service is provided on a contract basis; semipublic service is a tariffed offering. In both cases, the proceeds of the coin box belong to the telephone company, except for payment of commissions.

6. COCOTs refers to coin telephone equipment owned by a utility's customer. The customer pays for access to the network and keeps the proceeds from operating the pay telephone. Mountain Bell is currently the only regulated Montana telephone utility with a tariff filed with the MPSC to charge COCOT owners for service. This tariff is referred to as LPAL.

FINDINGS OF FACT

Issue No. 1. Should the regulated telephone companies in the state be required to allow connection of privately owned coin telephones to the telephone company network?

7. The MPSC finds that all regulated telephone companies are required to allow connection of COCOTs to the telephone company network. This is based on Montana's legislative policy stated in the Montana Telecommunication Act of promoting a competitive telecommunications market environment, on Order No. 5030 and on three FCC orders: In Re Universal Payphone Corporation, FCC Docket No. 85-222 (released May 6, 1985), Registration of Coin Operated Telephones, 49 Fed Reg 27763 (July, 1984) and Paytel Systems, Inc., 2583 (released February 14, 1986).

8. The FCC permits connection to the network and requires companies to allow connection of COCOTs for interstate service. In Registration of Coin Operated Telephones, 49 Fed. Reg. 27763, the FCC stated:

...the Commission interprets the "coin service" exclusion of §68.2(a)(1), 47 CFR 68.2(a)(1), to extend only to central office implemented coin service. By so doing, coin operated telephones will be registerable, and any person purchasing such a coin telephone will have the right to attach it to the services permitted under §68.2(a).
p. 27763

The FCC continues later in the order -- "A part 68 registration grant constitutes a federal right to interconnect registered terminal service equipment with the public switched network."
P. 2776.

9. Because of the FCC orders the regulated utilities must allow connection for interstate purposes. Testimony in this docket and Montana statutes establish that it is in the public interest for the MPSC to require the regulated utilities to allow connection of COCOTs for intrastate service. The MPSC finds that upon request by a COCOT owner for connection of a COCOT to the network, regulated telephone utilities must file tariffs offering COCOT access in compliance with the requirements of this order. A utility will have 30 days from receiving the first request for COCOT access to comply with this requirement.

Issue No. 2. Should connection be allowed in all exchanges or only where a usage based rate is currently available?

10. COCOT connection must be allowed in all exchanges regardless of the availability of usage based rates. The Minnesota Public Service Commission attempted to preclude COCOTs interconnection where special central office measured rate capabilities were not available. In Universal Payphone, FCC 85.222, May 6, 1985, Mimeo. p. 6, the FCC determined that this restriction potentially prohibited COCOT interconnection and use for interstate communication over widespread areas. This unreasonably infringed on the customer's right to interconnect to the nationwide telephone network and violated Registration of Coin Operated Telephones, supra.

11. The FCC's action precludes the MPSC from limiting COCOT access lines to exchanges with measured usage. A flat

rate offering will resolve most problems but, as the testimony of the RSI shows, COCOT access to the small independent companies' network may involve problems unique to rural areas. The end user's demand for COCOT service may be so small that very few COCOTs are connected. The MPSC is not requiring regulated companies to file tariffs for COCOT access until 30 days after access is requested. Problems that may arise concerning the availability of COCOT service and reasonableness of the terms may be brought to the MPSC's attention before the filing of the tariffs.

Issue No. 3. What rates should be charged for the telephone company access line if connection is allowed?

12. Currently MBT's Local Public Access Line (LPAL) tariffs require COCOTs to subscribe to measured or message business lines. This is consistent with the tariffs for all resellers of basic exchange services. MBT will provide at least message service in any of its exchanges in Montana. MBT did not propose any change to the basic rates COCOTs are charged. Both NWTs and the RSIs advocated requiring COCOTs to subscribe to only measured access rates. RSI witness Robert Orr explained:

When someone connects a COCOT he hopes to make a profit by generating as high a usage as possible. If he succeeds, he quite likely will generate higher than average usage. A flat access line rate would nonetheless require him to pay for only average usage. The other customers on the network would subsidize his usage above the average. In other words, one customer could be in a position to make a profit on above-

average usage while having the other customers pay the costs associated with the above-average usage. (Exh. p. 7)

At the hearing the RSIs presented an addendum to their testimony which proposed a flat rate alternative for COCOTs in areas where a measured service is not available. The RSIs recommended that the flat rate be equal to one and one-half times MBT's single party flat business rate (1FB) for its smaller exchanges.

13. The MPSC continues to support the requirement that customers reselling telecommunications services subscribe to a usage rated access line for precisely the reasons set forth in the RSI testimony. However, the local exchange company should not be required to incur significant costs to make a usage rated line available to a very limited number of customers. Therefore, the MPSC finds that developing a flat rate above the usual single party flat business rate is an acceptable alternative to developing usage rated exchange services. A rate that is somewhat higher than the regular flat business rate of a local exchange company will allow the company to recover the costs of higher than average usage from the COCOT. The RSIs proposed a flat rate of one and one-half times MBT's 1FB. The MPSC finds that this proposal is unacceptable. All of the RSIs have flat business rates that are significantly lower than MBT's 1FB. The MPSC directs NWTs and the RSIs to file a flat rate of no more than one and one-half of the particular local exchange company's flat business rate. To the extent future federal and state policy changes or competition drive the access rates of

local exchange companies upward, the COCOT flat rate can be increased proportionately.

Issue No.4. Should telephone companies be allowed to charge for certain services now provided coin customers at no charge, such as directory assistance and 9-1-1 calls?

14. This issue refers to allowing regulated telephone companies to charge COCOT owners for services currently offered at utility owned coin telephones for no charge, such as operator, 9-1-1, Directory Assistance, and 800 Service. As discussed in issue No. 6, these services are not necessarily coin free. The MPSC finds that the regulated telephone companies may charge COCOTs for services offered at utility owned telephones for no charge. As the testimony in this docket clearly establishes, a COCOT owner is a business subscriber to a telephone service not an end user of coin telephones. The rationale that makes no charge services appropriate for coin telephone end users does not apply. The regulated telephone companies must be allowed to charge the COCOTs for all services, regardless of what the COCOTs charge the end user, to avoid subsidization by the basic exchange ratepayer.

15. Testimony on this issue also addressed whether no charge services should be the same for all end users of coin telephones regardless of whether the telephone is a COCOT or utility owned. The Payphone Company, RSI and NWTS testified that services offered at no charge to end users of coin operated

telephones should be the same whether the coin phone is owned privately or by a regulated utility.

16. The MPSC does not have the jurisdiction to determine what a COCOT owner charges for services. Section 69-3-803(3), MCA, states that regulated telecommunication service does not include the resale of telecommunication services. Section 69-3-803(4), MCA, defines resale of communication as the resale of regulated telecommunications, with or without adding value, providing any value added would not be subject to regulation. COCOT owners are resellers of telecommunication service and, as such, are not subject to MPSC regulation. The MPSC continues to have jurisdiction over regulated services offered by public utilities, thus the MPSC has the authority to set rates for utility owned coin operated telephones but not for COCOTs. The service sold by regulated utilities to COCOT owners is a regulated service, thus the MPSC has authority over the regulated companies' tariffs for COCOT access to the network.

17. Mountain Bell's testimony on this issue addressed charging end users of its coin telephones for value added services such as 800 access, directory assistance and toll calling. This docket does not address what no charge services should be offered to end users of regulated coin telephones and does not authorize any change in current no charge service.

Issue No. 5. Should Mountain Bell's current Local Public Access Line rates be changed?

18. MBT proposed to offer Guestline service in place of the current local only service. Guestline offers the same protective features as the local only service but additionally allows operator access. The MPSC finds that MBT's proposal is reasonable and directs MBT to include this change when filing compliance tariffs for this docket.

19. The Payphone Company noted that MBT's enhanced measured and message services do not allow the use of 1+ dialing. The Payphone Company testified that all of NWTs' pay stations are assigned numbers in the 9000 series. This allows 1+ dialing but also allows the operator to refuse to bill calls back to that number. The Payphone Company requested the MPSC direct the companies to put some similar procedure in place for COCOTs. The MPSC finds that this request is reasonable. This will allow COCOTs to offer the same range of services that telephone company owned coin phones provide. The MPSC directs all the companies to provide an identification procedure for coin phones to assist in preventing fraudulent calls.

Issue No. 6. Should any conditions be placed on providing service to coin telephone owners, such as 9-1-1 compatibility and operator first service?

20. To the extent it affects local and intrastate toll service the MPSC has the authority to determine the conditions under which the regulated telephone companies accept COCOTs for connection to the public network. Registration of Coin Operated Telephones, 49 Fed. Reg. at 27766. The FCC has also recognized

the state authority to establish requirements for COCOTs to the extent those requirements relate to use of the public network for emergency use and local public health, safety and welfare concerns. The need for some minimum COCOT requirements to protect health, safety and welfare is established by testimony in this docket and by the State Emergency Telephone Act which establish as requirements for coin operated telephones in 9-1-1 emergency jurisdictions.

21. The MPSC does not regulate the COCOT owners. The MPSC does regulate the rates and terms of regulated telephone service offered by the local exchange companies (LEC's). Placing appropriate conditions on LEC's tariffs for COCOT service will enable the MPSC to establish consistent rules for COCOT service relating to public health, safety and welfare concerns. The MPSC finds that regulated telephone companies tariffs for COCOTs access lines must require the COCOT owners to agree to the following conditions before offering services:

- 1) The COCOT is registered in compliance with 47 CFR 68.
- 2) The COCOT will allow access to the following services at no charge and without the use of a coin:
 - a) 9-1-1 emergency service
 - b) Utility operator
 - c) 800 service
- 3) The COCOT will return deposited coins if the attempted call is not completed. The COCOT owner or agent agrees to make prompt refunds upon reasonable com-

plaints of end users about failure to return coins or other service problems.

- 4) The COCOT will provide the end user with the following information:

Instructions for use
Rates
No charge services available
Owners name, address and telephone number
Instructions on registering complaints with and claiming refunds from owners.
Restrictions or incoming calls if any.
If the rate for toll calls exceed the rate charged for the same service from utility owned coin telephones a clear statement of this.

The COCOT owner has discretion in determining how this information will be displayed but it must be provided in a well displayed, comprehensible manner.

- 5) The COCOT will comply with all Federal and State laws and regulations on disabled and hearing impaired individuals access and use.

22. The MPSC finds that Mountain Bell's current LPAL tariff does not contain these conditions for offering service. Thirty days after the issuance of the final order in this docket the LPAL tariff will be cancelled by the MPSC. By that date Mountain Bell must file a new tariff in compliance with this order. Prior to filing the new tariff, Mountain Bell must inform its COCOT customers of the conditions for offering COCOT service and ensure compliance.

23. Testimony in this docket also raised the issue of utility owned coin phones providing coin free access to 9-1-1. Section 10-4-121, MCA, states:

Every provider of telephone service or other owner of a pay station telephone in an area served by an emergency telephone system established pursuant to 10-4-103 must convert every pay station telephone to permit dialing 9-1-1 or the telephone company operator without deposit of a coin or other charge to the caller. Conversion must be completed by or before the time the emergency telephone system is operational.

The MPSC recognizes that Section 10-4-121, MCA, does not require conversion to coin free access to 9-1-1 or operator services until a 9-1-1 jurisdiction is established.

24. The MPSC finds that all utility owned public or semipublic coin phones, placed in service 30 days after the date of this order or later must provide coin free access to the operator and have the capability of providing coin free access to 9-1-1. A late filed exhibit shows that as of December 31, 1985 Mountain Bell, the regulated telephone company serving the most customers in Montana, owned 3788 public and 1031 semipublic coin telephones. Nine hundred and thirty-two of these phones currently have dial tone first capability. This order does not require regulated telephone companies to convert existing public and semipublic telephones to permit dialing 9-1-1 or the operator without depositing a coin.

Issue No. 7. Does allowing customer owned coin telephones constitute competition adequate to justify eliminating some or all of the regulation of telephone company public and semipublic coin phones?

25. The MPSC finds that this matter should be considered using the process being established in the proposed rules implementing the Telecommunications Act. The Commission anticipates having final rules by June, 1986. The MPSC is willing to consider the question of detariffing prior to adopting final rules implementing the Telecommunication Act.

CONCLUSIONS OF LAW

1. Pursuant to Title 69, Chapter 3, MCA, the Montana Public Service Commission has jurisdiction over public utilities offering regulated telephone service in Montana.

ORDER

The Montana Public Service Commission orders:

1. As stated in paragraphs 7 through 11, all regulated telephone companies are required to allow connection of customer owned coin operated telephones. Within 30 days of receiving the first request for connection, a tariff in compliance with the terms of this order, must be filed with the Montana Public Service Commission.

2. Thirty days after the issuance of the final order in this docket Mountain Bell's current LPAL tariffs (tariff pages 72.5-72.8 release 1, 72.9 release 6 and 72.10 release 1), will

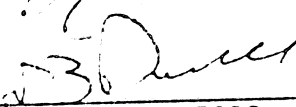
be invalid and new tariffs must be filed in compliance with this order.


IT IS FURTHER ORDERED, pursuant to Section 2-4-621, MCA, that this is a proposed order only. Any party has the opportunity to file exceptions to this initial decision and present briefs. Exceptions and supporting briefs must be filed with the Commission within twenty (20) days from the date of service of this proposed order.

DONE AND DATED this 21st day of April, 1986 by a vote of
5-0 .

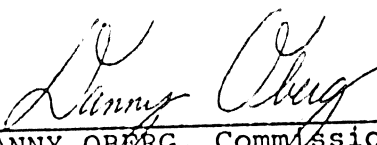
BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION


CLYDE JARVIS, Chairman

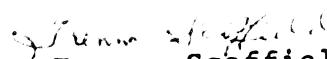

JOHN B. DRISCOLL, Commissioner


HOWARD L. ELLIS, Commissioner


TOM MONAHAN, Commissioner


DANNY OBERG, Commissioner

ATTEST:


Trena Scoffield
Commission Secretary

(SEAL)